

## Message Text

CONFIDENTIAL

PAGE 01 LUXEMB 00611 191205Z

44

ACTION EUR-25

INFO OCT-01 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-03 INR-11 NSAE-00 RSC-01 CIEP-03 SP-03

STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01 DODE-00

PM-07 H-03 L-03 NSC-07 PA-04 PRS-01 SS-20 USIA-15

FEAE-00 INT-08 SCI-06 DRC-01 /174 W

----- 071727

R 191100Z SEP 74

FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 4089

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY DUBLIN

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

USMISSION OECD PARIS UNN

C O N F I D E N T I A L LUXEMBOURG 0611

E.O. 11652: GDS

TAGS: EFIN, EEC

SUBJ: GOL OFFICIAL'S COMMENTS ON FRENCH COMMUNITY MONETARY  
PROPOSALS

REF: EC BRUSSELS 7122

SUMMARY. RAYMOND KIRSCH, DEPUTY TO GOL FINANCE MINISTER  
VOUEL, CONFIRMED THE ACCOUNT OF EC FINANCE MINISTERS  
MEETING (REFTEL), EXPRESSED SKEPTICISM OF FRENCH PROGRAM  
FOR RELAUNCHING THE MONETARY UNION OF EUROPE, BUT SAID  
THAT THE GOL IS WILLING TO GIVE A SERIOUS STUDY TO THE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LUXEMB 00611 191205Z

PROPOSALS. KIRSCH ADDED THAT THE ROLE OF THE EUROPEAN

BANK FOR INVESTMENT (BEI) IN THE RECYCLING OF PETRO-DOLLARS WAS ALSO DISCUSSED AT THE MEETING AND THAT THE POSSIBILITY OF US-EC COOPERATION IN THIS AREA, USING THE BEI AS A VEHICLE FOR THE RECYCLING OF OIL FUNDS DEPOSITED IN THE US MIGHT BE A SUBJECT FOR DISCUSSION WITH US FINANCIAL AUTHORITIES. END SUMMARY

1. COMMUNITY LOAN: KIRSCH STATED THAT THE GOL SUPPORTS THE USE OF THE EUROPEAN MONETARY COOPERATION FUND FOR THE PURPOSE OF FLOATING AN EC LOAN DIRECTLY WITH THE PETROLEUM PRODUCING NATIONS. USING THE FUND TO RECYCLE PETRODOLLARS TO EC NATIONS COULD BREATHE SOME LIFE INTO THIS MORIBUND BODY AND ESTABLISH IT MORE FIRMLY AS A BASIC ORGAN FOR EUROPEAN MONETARY UNITY. FROM A PURELY NATIONALISTIC VIEW, THE USE OF THE FUND WOULD ENHANCE LUXEMBOURG'S CLAIM AS THE FINANCIAL CENTER OF THE EUROPEAN COMMUNITY. KIRSCH SAID THAT THE IDEA OF APPROACHING THE PETROLEUM PRODUCERS DIRECTLY FOR THE LOAN RATHER THAN FLOATING THE LOAN IN THE EUROMARKETS WAS PREDICATED UPON THE TECHNICAL DIFFICULTIES OF TURNING OVER SHORT TERM LOANS, AND UPON A POLITICAL DESIRE TO DEAL DIRECTLY WITH THE ARABS RATHER THAN THROUGH FACELESS INTERMEDIARIES. HE ADMITTED THAT THE ARABS' PREFERENCE FOR SHORT TERM MONETARY INSTRUMENTS PRESENTS A PROBLEM BUT HOPES THAT THE ARABS COULD BE ENCOURAGED TO ACCEPT A MEDIUM TERM PLACEMENT WITH THE FUND. KIRSCH BELIEVES THAT THE LOAN WOULD BE A PROPER SUBJECT FOR THE NEXT EC-ARAB MEETING.

2. EUROPEAN INVESTMENT BANK (BEI): KIRSCH SAID THAT THE FINANCE MINISTERS ALSO DISCUSSED THE ROLE OF THE BEI IN THE RECYCLING OF PETRODOLLARS. IT IS NOT POSSIBLE TO USE THE BEI FOR THE FLOATATION OF THE EC LOAN SINCE THIS WOULD NECESSITATE A CHANGE IN THE STATUTES OF THE BANK AS THE PROCEEDS OF THE LOAN WILL BE LENT TO COUNTRIES IN ECONOMIC DIFFICULTIES RATHER THAN FOR DEVELOPMENT PROJECTS. AMENDMENT OF THE BANK'S STATUTES, IN RETURN, WOULD REQUIRE RATIFICATION BY NINE PARLIAMENTS, A TIME-CONSUMING PROCESS. DISCUSSIONS ON THE ROLE THAT THE BEI COULD PLAY IN THE RECYCLING OF PETRODOLLARS THEREFORE CENTERED ON RECOMMENDATIONS TO URGE THE BEI TO ACTIVELY SEEK ARAB INVEST-  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LUXEMB 00611 191205Z

MENTS IN EC DEVELOPMENT PROJECTS, FLOATING BOND ISSUES THAT WOULD BE ATTRACTIVE TO ARAB INVESTORS. KIRSCH ALSO THOUGHT THAT THE USE OF THE BEI AS A VEHICLE FOR RECYCLING PETRODOLLARS FROM THE US TO EUROPE AND THE ASSOCIATED STATES TO BE WORTH FURTHER EXPLORATION.

3. BANK CONTROL. KIRSCH INDICATED THAT THE GOL SUPPORTS CLOSER COORDINATION OF EUROMARKETS AND BANK CONTROLS. HE

NOTED THAT IT HAS BECOME INCREASINGLY DIFFICULT TO CONTROL THE INTERNATIONAL BANKING COMMUNITY IN LUXEMBOURG, PARTIALLY BECAUSE OF THE RAPID GROWTH IN THE NUMBER OF BANKS DEALING IN THE EURO-CREDIT MARKETS, BUT ALSO BECAUSE OF THE LACK OF COORDINATION AND CONTROL AMONG CENTRAL BANKS. HE CITED THE HERSTATT AFFAIR, WHERE THE AFFILIATE IN LUXEMBOURG WAS DRAINED OF ITS ASSETS BY ITS GERMAN PARENT SHORTLY BEFORE THE FAILURE OF THE BANK, AS A CASE IN POINT.

4. CONCERTED FLOATING OF CURRENCIES: KIRSCH WAS SKEPTICAL OF THE FRENCH PROPOSAL AND THOUGHT THAT THE TECHNICALITIES WOULD NEED TO BE WORKED OUT AND STUDIED IN DEPTH BEFORE THE GOL COULD FORM A DEFINITE POSITION. IN PRINCIPLE, THE GOL SUPPORTS AN EXCHANGE RATE POLICY THAT WOULD LEAD TO CLOSER ECONOMIC UNITY. BUT THE GOL WOULD NEED TO BE CONVINCED THAT THE FRANCH PLAN COULD EVENTUALLY LEAD TO A CLOSER HARMONIZATION OF EC CURRENCY RATES AND HENCE (BY LUXEMBOURG DEFINITION) MONETARY UNITY. THE GOL BELIEVES THAT IT HAS BENEFITTED FROM THE CLOSE COOPERATION AMONG THE FIVE IN THE MINI-SNAKE AND IS RELUCTANT TO ACCEPT A FRENCH CURRENCY SCHEME THAT COULD END IN GREATER CURRENCY DISARRAY THAN NOW EXISTS WITHIN THE EC. FARKAS

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC COOPERATION, FINANCE, ECONOMIC STABILITY, MINISTERIAL MEETINGS, ECONOMIC PROGRAMS, ANTIINFLATIONARY PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 SEP 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974LUXEMB00611  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740263-0255  
**From:** LUXEMBOURG  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740932/aaaabauv.tel  
**Line Count:** 140  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** EC BRUSSELS 7122  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 04 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <04 APR 2002 by collinp0>; APPROVED <03 JUL 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOL OFFICIAL'S COMMENTS ON FRENCH COMMUNITY MONETARY PROPOSALS  
**TAGS:** EFIN, FR, EEC  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005